

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (E 3338-E) for Authority to Institute a Rate Stabilization Plan with a Rate Increase and End of Rate Freeze Tariffs.

Application 00-11-038
(Filed November 16, 2000)

Emergency Application of Pacific Gas and Electric Company to Adopt a Rate Stabilization Plan.
(U 39 E)

Application 00-11-056
(Filed November 22, 2000)

Petition of THE UTILITY REFORM NETWORK for Modification of Resolution E-3527.

Application 00-10-028
(Filed October 17, 2000)

**COMMENTS OF THE CALIFORNIA ENERGY COMMISSION
REGARDING THE PROPOSED DECISIONS OF COMMISSIONER LYNCH
AND ADMINISTRATIVE LAW JUDGE WALWYN**

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May 11, 2001

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Pursuant to Rule 77 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the California Energy Commission (CEC) submits these comments on the Proposed Decision of Administrative Law Judge (ALJ) Walwyn and the Alternate Decision of President Lynch, both issued May 9, 2001.

Since the two proposed decisions are virtually identical with respect to the real-time pricing (RTP) design that the CEC has advocated,¹ these comments will address both Proposed Decisions. Within the context of RTP, the Proposed Decisions differ in only minor respects, which will be discussed.

¹ Testimony of the CEC, April 30, 2001.

I. GENERAL OBSERVATIONS

The CEC is pleased and gratified that the CPUC has elected to endorse RTP and allow for implementation as soon as technically feasible. The CEC has long advocated RTP as a method to reduce system load at the most critical times.

Both of the Proposed Decisions indicate that the Commission is interested in implementing a RTP program “as soon as the technical impediments can be resolved.”² These impediments have been identified as meters, billing systems, and price signals. We believe that the technical issues can be addressed quickly, and in parallel with the potentially time consuming effort to develop a final RTP tariff. To reduce the potential for delay, we believe the final decision needs to provide greater direction to parties to ensure that an RTP tariff is in place by mid-June. In addition, it is critical that the Commission recognize that there are end-users that are already able to take advantage of RTP and provide the system benefits that RTP offers. There are end-users that are clamoring for RTP (e.g. members of Silicon Valley Manufacturers Group). RTP should be offered to them as soon as feasible.

As background for our detailed suggestions that follow, we are somewhat concerned about ambiguities in the schedule that the CPUC intends. The PD at p. 56 (and the AD at p. 36) says “We will proceed expeditiously to develop and adopt a voluntary RTP that will be available to customers when their interval meters are installed.” However, in the PD Finding of Fact #92 at p. 69 says “We

intend ... to refine our approach to rate design in early July.” The CEC anticipates that at least some new RTP metering systems (not just interval meters) will be installed prior to early July, so we hope that the sentiments in the body of the PD and AD and not Finding of Fact # 92 control the schedule for adoption of a functional voluntary RTP tariff. We urge the CPUC to establish an expedited schedule for a fully functional RTP tariff that will be available to initial recipients of RTP metering systems by mid-June.

II. SPECIFIC CONCERNS

We are concerned with both the three technical impediments noted in the decisions and the lack of urgency in development of the RTP tariff itself. Each of these four points is discussed below.

A. “Technical Impediment” of Installation of Meters

Both of the Decisions correctly note that the CEC was appropriated \$35 million dollars by AB 29X and is now in the process of working with the utility distribution companies (UDCs) to deploy meters statewide to all customers of 200 kilowatts (kW) and greater. As a result of intensive discussions with UDCs and vendors, it is becoming clear that the AB 29X funds will not fully cover the cost of all meters above 200 kW (including municipal utility customers) or all costs directly resulting from RTP metering for this volume of end-users. Some UDC costs will have to be recovered from ratepayers. For UDCs under the Commission’s jurisdiction, this may present various ratemaking issues. We

² Walwyn Decision, p. 56, Lynch Decision, p. 36.

appreciate Finding of Fact # 85 indicating that the Commission will cooperate with and assist the CEC in this deployment process. We now anticipate that there will be various issues of RTP metering system outsourcing, cost recovery for implementation costs beyond those that CEC funds cover, disposition of revenues collected from end-users for traditional revenue cycle services no longer performed, and others, that will be encountered. Such issues can become roadblocks that prevent or delay realization of RTP metering capability and its potential to improve system reliability and reduce energy procurement costs. We request that the Commission direct its staff to make every effort to resolve these issues, or to devise acceptable ratemaking methods to postpone resolution until later, so that the RTP systems can be deployed immediately.

Beyond these issues for new metering system installations, however, there are a number of customers who already have in real-time meters in place with the type of telecommunications equipment that makes RTP possible. These are all customers of 500 kW or greater who are on the Demand Relief Program (DRP) or the “Discretionary Load Curtailment Program” (DLCP) of the California Independent System Operator (ISO) or a few participants in UDC load curtailment programs from last year.

In connection with the Interruptible Rulemaking, R.00-10-002, concern was expressed that customers should not participate in more than one demand reduction program, e.g., an ISO program and one offered by the UDC. With the appropriate provisions, the CEC sees no reason why these customers, who

already have the requisite equipment, could not elect a voluntary RTP tariff as soon as it is available.

Both Decisions state that “a voluntary RTP [program] will be available to customers when their interval meters are installed.”³ The CEC assumes that for those customers who have appropriate interval meters, the time for RTP is now. Therefore, once an RTP tariff is available we expect some end-users to immediately signup.

B. “Technical Impediment” of Billing Systems

Both Decisions also identify potential “delays caused by the time necessary for PG&E and Edison to make the necessary changes to their billing systems.”⁴ Further, the Decisions refer to “billing system constraints” and “until the system changes are complete.”⁵ This language seems to indicate that the billing systems owned by the UDCs must be changed and that manual billing would be done as an interim step.

As noted by the CEC in its earlier testimony in this case,⁶ there are ready and willing billing agents to whom this service can be outsourced immediately. CEC planning for a real time pricing (RTP) program anticipated potential technical impediments that might delay the implementation of interval meters and more capable billing systems. The CEC identified two approaches for resolving these implementation issues:

³ Walwyn Proposed Decision, p. 56, Lynch Alternate Decision, p. 36.

⁴ Ibid.

⁵ Ibid.

⁶ Testimony of Michael Jaske, April 13, 2001, pp. 14-15

- (1) A legacy approach, which relies on Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE) and San Diego Gas and Electric Company (SDG&E) to manage all implementation tasks and to oversee and make the necessary changes to their existing metering and billing systems, and
- (2) An outsourcing or application service provider approach, that would require the utilities to contract for metering and billing services from qualified industry providers.

The CEC has identified several qualified meter and billing service providers that can support the timely implementation of the proposed RTP initiative. Each of the utilities should be required to provide the CPUC with full and complete cost estimates and implementation schedules to accomplish the required RTP implementation tasks for each approach. Each utility should be directed by the CPUC to proceed with the approach that provides the lowest cost and most expeditious implementation schedule. We suggest a new ordering paragraph to implement this suggestion be inserted after existing #5 that reads:

6. CEC AB29x funds and any CPUC-approved cost recovery for RTP metering systems and complementary billing systems shall be used in each UDC service area to fund either upgrades to UDC legacy metering and billing systems or outsource contracts for metering and billing services on the basis optimizing three factors: (a) lowest total cost, (b) fastest implementation schedule, and (c) greatest potential for reducing aggregate energy procurement costs for bundled service customers.

C. “Technical Impediment” of Posting of Real Time Prices

Both Decisions also mention the ISO in connection with the posting of real time prices. The ISO published aggregated daily volumes and costs for three elements of imbalance energy starting February 12, 2001 through April 13, 2001. This provides a basis for understanding total costs, but does not provide a sense of the hourly variation in these costs. An interagency group including the CEC, the Department of Water Resources (DWR), the ISO and the Electricity Oversight Board is now working to develop a method for preparing expected RTP values based on both imbalance costs and the value of demand reductions. Where the Proposed Decisions refer to the ISO posting price information, a more accurate reference would be to “ISO or the Department of Water Resources.”

D. Starting Point for Development of an RTP Tariff

In addition to the technical impediments identified in the PD and AD, the CEC believes that the Commission can provide more specific direction to both its Energy Division staff and parties about development of an RTP tariff. To fail to do so is to invite delay as parties debate the general concept of RTP rather than working cooperatively to develop a specific RTP tariff proposal. We believe the characterization in the PD at p. 56 that the CEC testimony proposing a specific RTP tariff was “...general in nature...” is inaccurate. The current level of specificity in either the PD or the AD does not lead to rapid development of an RTP tariff. We recommend that the final decision direct parties to consider the specific proposal included in Exhibit 108, pp. 8-11, as the starting point for the workshop called for May 21. Further, an Assigned Commissioner Ruling can

establish the conditions under which the parties clearly understand that the product of the workshop is a draft RTP tariff which is sufficient for implementation by mid-June 2001. This workshop product would be reviewed by the Commission on an expedited basis. Finally, UDCs would be directed to file compliance Advice Letters establishing the RTP tariff compliance filings that are effective immediately.

III. DIFFERENCES BETWEEN THE OPINIONS

A. Customer Education

The Proposed Decision by Administrative Law Judge Walwyn discusses the value of customer education.⁷ The CEC strongly endorses this approach and is in the process of using \$40 million in funding from SB 5X toward this end.⁸

B. A “Pilot Program”

President Lynch’s Proposed Decision makes a reference to “a real time pricing pilot program.”⁹ Since the remainder of the paragraph refers to federal facilities and the section on those facilities is clearly a pilot exploring how to impose RTP on whole facility load as opposed to the CEC’s proposal for a voluntary RTP supplement to base tariffs,¹⁰ the CEC assumes that the scope of the pilot extends only to the federal facility program. No “pilot” effort is needed for the CEC’s RTP supplemental tariff proposal. The ALJ’s Proposed Decision does not contain this material, and no clarification would be needed.

⁷ Walwyn Proposed Decision, p. 54-55.

⁸ The \$35 million for interval meters from AB 29X was for equipment only. Consumer education will be funded from SB 5X.

⁹ Lynch Alternate Decision, p. 5.

The CEC believes that with these two decisions the Commission has made a commitment to RTP. The notion of a “pilot” is at odds with that commitment. The CEC has no comment on the proposed federal facility program.

C. Conditional Receipt of RTP Metering

ALJ Walwyn’s PD would require that end-users with loads over 200 kW be required to shift to TOU rates if they are not presently on such a rate (PD, p. 42 and pp. 44-45) once they receive the RTP metering system provided through the CEC’s AB29x program. President Lynch’s AD expresses concern about the Commission’s ability to impose such a tariff change while the AB 1890 rate freeze persists and suggests that UDC customers should be able to elect to receive the RTP metering system by agreeing voluntarily to shift to a TOU rate (p. 20).

The CEC believes we are obligated by AB29x to provide the RTP metering system to all end-users with loads greater than 200 kW irrespective of the rates used in conjunction with the usage data from the metering system to render the customer’s bill. Whether or not the Commission can compel the customer to shift from a non-TOU rate to a TOU rate, the CEC believes it must provide the RTP metering system. Under the terms of AB 1890 the rate freeze will expire no later than March 31, 2002, anyway, so the Commission will soon be free to make the sort of changes ALJ Walwyn suggests. In the meantime, end-users will develop a better sense of their usage patterns by virtue of the feedback

¹⁰ Id. at p. 28

provided through these systems, and can still elect to subscribe to the voluntary RTP supplemental tariff that the CEC has proposed. We urge the Commission to place no obstacles between end-users and AB29x RTP metering systems.

V. ERRORS IN BOTH DECISIONS

Both the ALJ PD and the AD of President Lynch contain factual errors in describing the existence of UDC standard industrial code (SIC) classification systems for their customers. The PD at pp. 39-40 and the AD at p. 25 contain text that states that UDCs do not have customer SIC classification systems that would permit development of rates by industry or business activity. Further both the PD and AD direct UDCs to collect such data to facilitate an examination of economic activity-based rate designs. In the PD, Ordering Paragraph #3 reiterates direction to PG&E and SCE that SIC data be collected.

The CEC believes that the record of the proceeding is either inaccurate or has been misunderstood. Every utility in California has had a customer SIC classification system since 1975 under CEC data reporting requirement regulations. The CEC conducted a rulemaking during 1998-2000 to review its regulations and made various changes, but did not eliminate its requirements for a comprehensive end-user classification system. At the present time every utility in California both has such a system and reports data to the CEC using such a

system every quarter.¹¹ Such data have been a foundation to the highly successful demand forecasting activities at the CEC.

To the extent that Commission direction to UDCs is needed on this topic, it is to direct UDCs to devote the resources to achieve complete and accurate classification of all end-users, and to make timely submission of the data to the CEC each quarter. Such accuracy would be essential if the Commission were to contemplate rate designs that imposed different charges on the basis of business activity classifications. The CEC requests that the text of the PD and OP#3 or AD be corrected to indicate that customer SIC classification data is available, could be used as the basis for business activity-based rate designs, and should be conducted accordingly to the requirements of CEC regulations.

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¹¹ California Code of Regulations, Title 20, Division 2, Chapter 3, Article 1: Quarterly Fuel and Energy Reports, Sections 1303(m), 1306(a)(1)(A) and 1307(a)(1)(A).

VI. CONCLUSION

The CEC looks forward to working with the Commission at the May 21 workshop on RTP rate designs, its staff in ensuring timely UDC deployment of RTP metering systems, and by any means necessary to implement RTP at the earliest possible time.

The CEC appreciates this opportunity to provide its comments.

Respectfully submitted

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